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SUBJECT: GEORGIA: LABOR CODE UNDER REVIEW

**¶1.** (SBU) Summary: Irakli Petriashvili, President of the Georgian Trade Union Confederation (GTUC), met with Econoff to discuss ongoing talks between the GoG, GTUC, and employer association representatives regarding the ongoing review of Georgia's labor code. Petriashvili said that his initiative was intended to simplify and liberalize the labor code to facilitate collective bargaining and make it easier to form an independent union. Petriashvili was encouraged by the continued response of both Prime Minister Nika Gilauri and Minister for Labor, Health and Social Affairs Alexander Kvitalashvili regarding his proposed changes to the labor code.

Petriashvili was hopeful that a new draft could be agreed upon and passed by October to coincide with an ILO visit of experts. The larger business community (including many of the companies represented in the American Chamber of Commerce) appear to have few concerns about the proposed legislation although a few players with strong neo-liberal economic ideological views are mustering some resistance to the changes. End Summary.

**¶2.** (SBU) Comment: While it may not grab headlines, the meeting with the PM and twice monthly (and sometimes more frequent) talks with other government officials represent positive engagement by the GoG on labor issues that affect a majority of Georgians. Petriashvili is cautiously optimistic that an acceptable compromise is within reach despite the GoG's strong neo-liberal economic leanings. The labor amendments appear to be standard and largely uncontroversial.

The major factor at play regarding the amendments is the GoG's desire to maintain its current standing with GSP Plus and strengthen political ties to the EU while continuing its neo-liberal handling of the economy. Trying to mesh these contradictory if not ultimately incompatible goals may prove to be difficult. The GoG is facing a larger policy choice and will have to decide at some point if giving up a bit of its neo-liberal economic orthodoxy is worth the political and other benefits that EU integration offers. End Comment.

#### Background on the Labor Code

**¶3.** (U) Georgia has ratified eight ILO core Conventions related to the ILO Declaration on Fundamental Principles and Rights at Work, as well as ILO Conventions on Social Policy, Employment Policy and Labor relations. In 2006, Georgia adopted a new Labor Code and thereby abolished the Law on Collective Contracts and Agreements of 1997, and the law on Collective Labor Disputes of 1998. The ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) highlighted the fact that the new Labor Code did not protect some aspects of freedom of association, which, in its view, leaves fundamental rights of workers and employers insufficiently protected under the national law, and put the Labor Code in conflict with various ILO Conventions that were formally ratified by the GoG. These aspects include, among others, the rights of workers and employers to freely establish and join organizations of their choice and the right of such organizations to function without government or employer interference. Regarding ILO Convention 98 (the effective recognition of the right to collective bargaining),

the CEACR highlighted that the Labor Code provisions on anti-union discrimination, employer's interference and collective bargaining do not constitute sufficient protection of the fundamental rights enshrined in the convention.

#### Steps Forward

¶4. (SBU) In 2008, the ILO returned to Tbilisi to work closely with the Ministry of Labor, Health and Social Affairs Oclosely with the Ministry of Labor, Health and Social Affairs as well as labor and employer union leaders in an effort to reconcile the provisions of the 2006 Labor Code with the ratified ILO Conventions. Jerry Zellhoefer (the AFL CIO's European representative and U.S. delegate to the ILO) and Petriashvili met with ILO Deputy Director, Kari Tapiola and representatives from the GoG in June to discuss modifications to the Labor Code to ensure compliance with ILO standards. Petriashvili characterized it as a good meeting, and the GOG agreed to move forward on improving legislation.

Petriashvili says he is committed to a constructive dialogue.

As such, he has instructed the AFL CIO not to file a GSP petition to protest against unfair labor practices saying he wanted to wait and see how the process developed before pursuing any adversarial tactics. Petriashvili said he preferred to continue to engage the GOG to come to some mutually agreeable resolution.

#### PM Gets Involved

¶5. (SBU) Last month, Prime Minister Gilauri requested a meeting with Petriashvili because of his role as President of the GTUC. Alexander Kvitalashvili, Minister of Labor, Health and Social Affairs, who chairs the ongoing talks, also attended the meeting. Petriashvili said Gilauri was interested in large part because labor reform is a key issue

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in developing a more integrated relationship with the EU under the Eastern Partnership Agreement. Nevertheless, the Prime Minister assured Petriashvili that the GOG understands the importance of the role of labor unions and improving the labor code. He was supportive of the GTUC's package of 35 changes to the Labor Code. Furthermore, the Prime Minister proposed regular ongoing meetings with Petriashvili. Petriashvili told Econoff that the Prime Minister demonstrated to him that he understood the value of the participation of labor unions in improving the Labor Code. Petriashvili said the meeting was very positive and constructive.

#### Talks Hit a Bump but Still Ongoing

¶6. (SBU) The talks have not moved forward without interruption -- including a slow down when it was determined that a large portion of the business community was unaware of the negotiations. Large employers had not been participating and asked to be involved in the discussions. (Embassy Note: An employers association has been an ongoing participant. The representative is deemed ineffective by numerous embassy contacts. Large scale employers, including several Amcham members, rejected this format and requested to have their own representative included in any talks. As a result, large employers now have a representative at the meetings. End Note.) Petriashvili said that while the GOG has agreed to support the labor code changes in public, he suspects the GOG can influence the large employers' representatives. According to Petriashvili, the major objection to the proposed changes to the Labor Code revolves around employee compensation for job loss - no one wants to pay it. However, with ILO CEACR's yearly review due in October, Petriashvili hoped that the issues would be resolved in time for the visit so as not to potentially compromise Georgia's GSP status.

¶7. (SBU) A number of Amcham members and other business contacts have told Econoff that the labor provisions are largely unobjectionable. One Amcham member who is an

attorney and has attended the tripartite meetings as an observer told Econoff that he personally saw nothing wrong with the code. He noted that he had a few concerns about ambiguities that needed clarification. He told Econoff that a small yet connected group of businessmen (both inside and outside of Amcham) opposed the amendments largely on ideological grounds. The member said these businessmen had support from some among the GoG and its advisors who opposed any further labor restrictions on business as a matter of principle. In the member's opinion, however, most if not all western businessmen felt that a few concessions to labor were a small price to pay to maintain GSP plus and allow for further economic and political integration with the EU. He said that most of the businessmen he knew did not support actively opposing the proposed changes.

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